

BETTENDORF COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-14
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 15
Statement of Activities	B 16
Governmental Fund Financial Statements:	
Balance Sheet	C 17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 20
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 21
Statement of Revenues, Expenses and Changes in Net Assets	H 22
Statement of Cash Flows	I 23
Fiduciary Fund Financial Statements:	
Statement of Assets and Liabilities	J 24
Notes to Financial Statements	25-36
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	37
Notes to Required Supplementary Information - Budgetary Reporting	38
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Special Revenue Funds:	
Combining Balance Sheet	1 39
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 40
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 41-43
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund	4 44
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	5 45
Schedule of Expenditures of Federal Awards	6 46-47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	48-49
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	50-51
Schedule of Findings and Questioned Costs	52-56

Bettendorf Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Barry Anderson	President	2008
Kathy Weigle	Vice President	2007
Steve Mayer	Board Member	2007
Barb Ehrmann	Board Member	2007
Jeannine Crockett	Board Member	2008
Betsy Justis	Board Member	2009
Scott Tinsman	Board Member	2009
Board of Education		
(After September 2007 Election)		
Barry Anderson	President	2008
Jeannine Crockett	Vice President	2008
Betsy Justis	Board Member	2009
Scott Tinsman	Board Member	2009
Paul Castro	Board Member	2010
Melinda Duncan Foreman	Board Member	2010
Barb Ehrmann	Board Member	2010
School Officials		
Marty Lucas	Superintendent (Terminated 6/14/2008)	2008
Dr. Carol Webb	Acting Superintendent	2008
Maxine McEnany	Director of Financial and Business Services	2008
Colleen Skolrood	Board Secretary	2008
Ray Cassady	Board Treasurer	2008
Cameron Davidson	Attorney	2008
Don Hoskins	Attorney	2008

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(a professional corporation)
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Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Bettendorf Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District, Bettendorf, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Bettendorf Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 18, 2008 on our consideration of the Bettendorf Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 37 through 38 are not required

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parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Bettendorf Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

December 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Bettendorf Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$35,296,999 in fiscal 2007 to \$37,337,020 in fiscal 2008, while General Fund expenditures increased from \$34,918,113 in fiscal 2007 to \$38,288,034 in fiscal 2008. The District's General Fund balance decreased from \$7,376,716 in fiscal 2007 to a balance of \$6,425,702 in fiscal 2008, a 12.89% decrease from the prior year.
- The increase in General Fund revenues was attributable to an increase in local and state sources. The increase in expenditures was due to furniture and equipment and technology purchases for the new Neil Armstrong building, technology purchases for Elementary, textbooks, and an additional two vans for district use.
- A decrease in interest rates during the past fiscal year, combined with less cash available to be invested, resulted in interest earnings in the General Fund to decrease from \$326,823 in fiscal year 2007 to \$325,506 in fiscal year 2008.
- The District's General Fund solvency ratio was 9.75% at June 30, 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Bettendorf Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Bettendorf Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Bettendorf Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Bettendorf Community School District Annual Financial Report

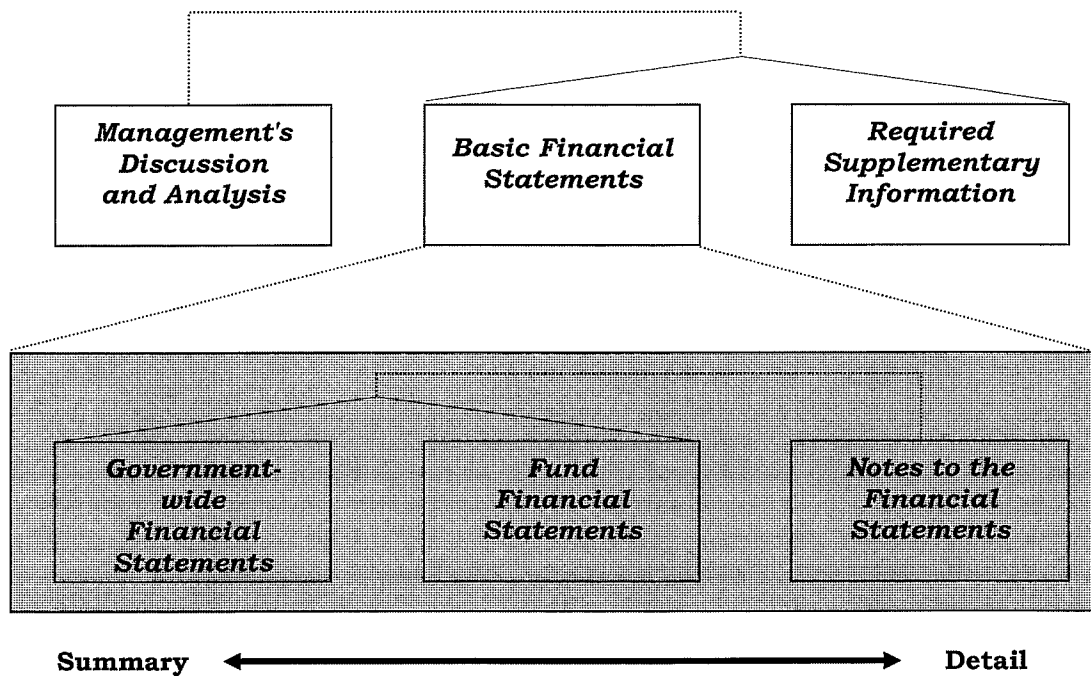


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, one type of proprietary fund, are the same as the governmental activities, but provide more detail and additional information, such as cash flows. The District currently has one internal service fund account accounting for self-funded insurance.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include the Agency fund.

- Agency Fund – These are funds through which the District administers and accounts for certain outside groups.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 41,250,312	39,637,349	215,742	266,031	41,466,054	39,903,380	3.92%
Capital assets	35,381,970	32,383,306	135,765	152,937	35,517,735	32,536,243	9.16%
Total assets	76,632,282	72,020,655	351,507	418,968	76,983,789	72,439,623	6.27%
Long-term obligations	11,007,431	11,847,848	0	0	11,007,431	11,847,848	-7.09%
Other liabilities	21,390,960	20,052,575	33,772	75,553	21,424,732	20,128,128	6.44%
Total liabilities	32,398,391	31,900,423	33,772	75,553	32,432,163	31,975,976	1.43%
Net assets:							
Invested in capital assets, net of related debt	25,001,970	21,944,458	135,765	152,937	25,137,735	22,097,395	13.76%
Restricted	10,064,473	8,272,926	0	0	10,064,473	8,272,926	21.66%
Unrestricted	9,167,448	9,902,848	181,970	190,478	9,349,418	10,093,326	-7.37%
Total net assets	\$ 44,233,891	40,120,232	317,735	343,415	44,551,626	40,463,647	10.10%

The District's combined net assets increased by 10.10%, or \$4,086,979, over the prior year. The largest portion of the District's net assets is the invested in capital assets, net of related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represents resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$1,791,547, or 21.66% over the prior year. The increase was primarily a result of local option sales tax reserves set aside for payment of the debt service issued for 1997/98 building projects, the Neil Armstrong new elementary school and the middle school pod renovation project.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$743,908, or 7.37%. This decrease in unrestricted net assets was a result of the District's decrease in the General Fund balance.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues:							
Program revenues:							
Charges for services	\$ 4,340,763	3,848,817	1,053,185	1,011,935	5,393,948	4,860,752	10.97%
Operating grants and contributions and restricted interest	4,989,886	4,492,191	536,500	516,251	5,526,386	5,008,442	10.34%
General revenues:							
Property tax	15,478,814	15,152,198	0	0	15,478,814	15,152,198	2.16%
Local option sales and service tax	3,822,827	3,603,670	0	0	3,822,827	3,603,670	6.08%
Unrestricted state grants	15,508,136	14,468,030	0	0	15,508,136	14,468,030	7.19%
Other	1,019,079	943,317	11,321	15,195	1,030,400	958,512	7.50%
Transfers	0	3,242	0	0	0	3,242	100.00%
Total revenues and transfers	45,159,505	42,511,465	1,601,006	1,543,381	46,760,511	44,054,846	6.14%
Program expenses:							
Governmental activities:							
Instructional	24,868,484	22,719,977	0	0	24,868,484	22,719,977	9.46%
Support services	12,728,585	11,602,809	42,516	36,352	12,771,101	11,639,161	9.73%
Non-instructional programs	112	0	1,584,170	1,520,076	1,584,282	1,520,076	4.22%
Other expenses	3,448,665	3,030,414	0	0	3,448,665	3,030,414	13.80%
Total expenses	41,045,846	37,353,200	1,626,686	1,556,428	42,672,532	38,909,628	9.67%
Changes in net assets	4,113,659	5,158,265	(25,680)	(13,047)	4,087,979	5,145,218	-20.55%
Beginning net assets	40,120,232	34,961,967	343,415	356,462	40,463,647	35,318,429	14.57%
Ending net assets	\$ 44,233,891	40,120,232	317,735	343,415	44,551,626	40,463,647	10.10%

In fiscal 2008, property tax, local option sales and services tax and unrestricted state grants account for 77.08% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.29% of the revenue from business type activities.

The District's total revenues and transfers were approximately \$46.76 million of which \$45.16 million was for governmental activities and \$1.60 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 6.14% increase in revenues and a 9.67% increase in expenses. The increase in expenses related to increases in the negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$45,159,505 and expenses were \$41,045,846.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 24,868,484	22,719,977	9.46%	16,992,443	15,757,604	7.84%
Support services	12,728,585	11,602,809	9.70%	12,646,422	11,498,841	9.98%
Non-instructional programs	112	0	100.00%	112	0	100.00%
Other expenses	3,448,665	3,030,414	13.80%	2,076,220	1,755,747	18.25%
Totals	\$ 41,045,846	37,353,200	9.89%	31,715,197	29,012,192	9.32%

- The cost financed by users of the District's programs was \$4,340,763.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$4,989,886.
- The net cost of governmental activities was financed with \$15,478,814 in property tax, \$3,822,827 in local option sales and services tax, \$15,508,136 in unrestricted state grants, \$682,877 in interest income and \$336,202 in other general revenues.

Business-Type Activities

Revenues of the District's business-type activities were \$1,601,006 and expenses were \$1,626,686. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Bettendorf Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$16,710,116, which is less than last year's ending fund balances of \$16,901,575. However, the primary reason for the decrease in combined fund balances in fiscal 2008 is due to the capital facility construction on the Neil Armstrong Elementary school building project completion and the start of construction on the addition and renovations to the Middle School.

Governmental Fund Highlights

- The General Fund balance decreased from \$7,376,716 to \$6,425,702, due in part to the increase in expenditures for furniture, equipment, technology and textbooks. The District's tax rate remained similar at \$15.00 per \$1,000 valuation in fiscal year 2007 and in fiscal year 2008.
- The Capital Projects Fund balance increased from \$7,159,951 in fiscal 2007 to \$7,573,481 in fiscal 2008. The District issued \$7 million in revenue bonds to finance capital facility construction on October 2, 2006. The Neil Armstrong Elementary building project was completed and occupied in August 2007.

-
- The Special Revenue, Physical Plant and Equipment Levy fund balance increased from \$924,182 in fiscal 2007 to \$1,049,118. The District will use some of current years balance to fund construction on the addition and renovations to the middle school. The middle school pod renovation project is estimated at \$4.8 million and the district began classes in the renovated section in August 2008.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$343,415 at June 30, 2007 to \$317,735 at June 30, 2008, representing a decrease of 7.48%. The decrease in net assets was due to the increase in expenses for negotiated salaries and benefits and an increase in food costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, Bettendorf Community School District amended its annual budget one time to reflect expenditures associated with the increases in costs due to the timing of construction.

The District's revenues were \$1,820,460 more than budgeted revenues, a variance of 4.05%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

The District manages or controls General Fund spending through its line-item budget. The certified budget exceeded in the support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget. In the future, the District's certified budget should be amended to reflect increases in expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$35.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 8.39% from last year. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$1,970,411.

The original cost of the District's capital assets was \$61.7 million. Governmental funds account for \$61.1 million with the remainder of \$0.6 million in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress totaled \$23,229,517 at June 30, 2007, compared to \$30,923,081 reported at June 30, 2008. This significant increase resulted from the construction completed on the Neil Armstrong Elementary building project.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 1,017,415	1,017,415	0	0	1,017,415	1,017,415	0.00%
Construction in progress	2,199,468	7,197,872	0	0	2,199,468	7,197,872	-227.26%
Buildings	30,923,081	23,229,517	0	0	30,923,081	23,229,517	24.88%
Land improvements	56,579	61,176	0	0	56,579	61,176	-8.12%
Machinery and equipment	1,185,427	877,326	135,765	152,937	1,321,192	1,030,263	22.02%
Total	<u>\$ 35,381,970</u>	<u>32,383,306</u>	<u>135,765</u>	<u>152,937</u>	<u>35,517,735</u>	<u>32,536,243</u>	<u>8.39%</u>

Long-Term Debt

At June 30, 2008, the District had \$11,007,431 in general obligation and other long-term debt outstanding. This represents an increase of 7.09% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District had total outstanding General Obligation Bond indebtedness at June 30, 2008 of \$3,380,000.

The District had total outstanding Revenue Bond Anticipation Notes indebtedness at June 30, 2008 of \$7,000,000.

The District had total outstanding Early Retirement payable from the General and Special Revenue - Management Funds of \$506,938 at June 30, 2008.

The District had total outstanding Compensated Absences payable from the General Fund of \$120,493 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	2008	2007	
General Obligation Bonds	\$ 3,380,000	4,165,000	-18.85%
Revenue Bonds	7,000,000	7,000,000	100.00%
Early Retirement	506,938	583,655	-13.14%
Compensated Absences	120,493	99,193	21.47%
Totals	<u>\$ 11,007,431</u>	<u>11,847,848</u>	<u>-7.09%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- In the fall of 2006, the District had an enrollment increase of 57.3 students. In the fall of 2007, the District had an enrollment increase of 8.3 students. Iowa Department of Education projects a stable enrollment of the next five years for our District.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten year period beginning in fiscal year 2005.

-
- The District's unspent balance increased significantly from \$2,681,816 for fiscal year end 2005 to \$5,590,560 for fiscal year end 2006, due to the School Budget Review Committee approving allowable growth for July and August payrolls. The estimated fiscal year end 2008 unspent balance is \$5,507,522.
 - Continued budget concerns at the state level will affect future projections. The District has been forced to shift funding to property taxes.
 - On September 9, 2003 voters in the District passed a voter-approved physical plant and equipment levy not to exceed \$1.34 per \$1,000 assessed valuation for ten years commencing July 1, 2004. The 2006/2007 \$.33 regular PPEL levy and 1.34 voted PPEL levy generated \$1,787,148 property tax income.
 - The 10-year local option sales tax will expire in 2009. During the 2005 legislative session lawmakers voted to approve a statewide local option tax pool. The statewide average local option tax per pupil is \$575. At the current time the Scott County per pupil amount is \$824. We will continue to receive the taxes generated by our County until our 10-year tax expires. At that time we will receive the statewide average set by the legislature. The Scott County voters renewed the local option sales tax on March 4, 2008 for 10 years. The 2008 legislative session approved the state-wide penny tax for school infrastructure for 20 years.
 - The Board of Education approved a \$5 million renovation of the Middle School Pod area to be completed for occupancy in the fall of 2008.
 - The District continues to repay 100% of outstanding bonds from the local option sales tax receipts. The Board has determined they will not be issuing any debt, unless they chose to borrow against any future sales tax. The District will pay all of its outstanding debt by October 2009.
 - Overall usage of electricity and natural gas increased 31.6% for fiscal year end June 30, 2008. A major contributing factor for this increase was the units installed in the new Neil Armstrong elementary.
 - The District is self-funded for health insurance. The fund balance has increased since last year. On June 30, 2007, the fund balance was just over \$2.9 million dollars, while on June 30, 2008 it is roughly \$3.2 million.
 - The Board of Education implemented a revised early retirement plan for a three-year period beginning with fiscal year ended June 30, 2005. The plan allows people who are at least 55 years of age and who have been full-time with the District for at least 15 years to retire with a benefit of \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever is less, and \$10 per day for unused sick leave to be paid into an HRA. At the November 6, 2006 Board meeting the Board moved that the early retirement resolution dated August 16, 2004 be allowed to expire as stated in the resolution in Section I(A) Program Life. The amount due for early retirement for this program at June 30, 2008 is \$506,937.
 - The Board of Education lowered the tax rate from \$15.47 per \$1,000 taxable valuation for the fiscal year ended June 30, 2005 to \$14.69 for the fiscal year ended June 30, 2006. The current year end June 30, 2007 tax rate is \$15.00. The tax rate for the year end June 30, 2008 is \$15.00 per \$1,000 taxable valuation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Maxine McEnany, Director of Financial and Business Services, Bettendorf Community School District, 800 23rd Street, Bettendorf, Iowa, 52722.

BASIC FINANCIAL STATEMENTS

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 22,106,141	212,650	22,318,791
Receivables:			
Property tax:			
Delinquent	200,247	0	200,247
Succeeding year	16,683,681	0	16,683,681
Interfund	20,000	(20,000)	0
Accounts	121,091	191	121,282
Due from other governments	2,119,152	0	2,119,152
Inventories	0	22,901	22,901
Capital assets, net of accumulated depreciation (Note 5)	35,381,970	135,765	35,517,735
Total Assets	76,632,282	351,507	76,983,789
Liabilities			
Accounts payable	839,511	0	839,511
Salaries and benefits payable	3,232,316	3,993	3,236,309
Incurred but not reported claims	501,266	0	501,266
Interest payable	81,702	0	81,702
Deferred revenue:			
Succeeding year property tax	16,683,681	0	16,683,681
Other	52,484	0	52,484
Unearned revenue	0	29,779	29,779
Long-term liabilities (Note 6):			
Portion due within one year:			
General obligation bonds payable	815,000	0	815,000
Early retirement payable	95,557	0	95,557
Compensated absences	120,493	0	120,493
Portion due after one year:			
General obligation bonds payable	2,565,000	0	2,565,000
Revenue BANS payable	7,000,000	0	7,000,000
Early retirement payable	411,381	0	411,381
Total Liabilities	32,398,391	33,772	32,432,163
Net Assets			
Invested in capital assets, net of related debt	25,001,970	135,765	25,137,735
Restricted for:			
Debt service	2,844	0	2,844
Beginning teacher mentoring	25,610	0	25,610
Salary improvement program	11,689	0	11,689
Market factor	7,353	0	7,353
Professional development	61,407	0	61,407
At risk	157,493	0	157,493
Special education preschool	375	0	375
Community partnership	500	0	500
Market factor incentives	22,570	0	22,570
Capital projects	7,573,481	0	7,573,481
Management levy	737,296	0	737,296
Physical plant and equipment levy	1,049,118	0	1,049,118
Other special revenue purposes	414,737	0	414,737
Unrestricted	9,167,448	181,970	9,349,418
Total Net Assets	\$ 44,233,891	317,735	44,551,626

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 16,442,013	2,840,089	3,356,912	(10,245,012)	0	(10,245,012)
Special instruction	4,858,944	480,361	213,597	(4,164,986)	0	(4,164,986)
Other instruction	3,567,527	978,945	6,137	(2,582,445)	0	(2,582,445)
	<u>24,868,484</u>	<u>4,299,395</u>	<u>3,576,646</u>	<u>(16,992,443)</u>	<u>0</u>	<u>(16,992,443)</u>
Support services:						
Student services	1,457,533	0	0	(1,457,533)	0	(1,457,533)
Instructional staff services	597,990	0	0	(597,990)	0	(597,990)
Administration services	5,486,719	0	0	(5,486,719)	0	(5,486,719)
Operation and maintenance of plant services	4,516,696	0	0	(4,516,696)	0	(4,516,696)
Transportation services	669,647	41,368	40,795	(587,484)	0	(587,484)
	<u>12,728,585</u>	<u>41,368</u>	<u>40,795</u>	<u>(12,646,422)</u>	<u>0</u>	<u>(12,646,422)</u>
Non-instructional programs:						
Food service operations	112	0	0	(112)	0	(112)
Other expenditures:						
Long-term debt interest	429,586	0	0	(429,586)	0	(429,586)
AEA flowthrough	1,372,445	0	1,372,445	0	0	0
Depreciation(unallocated)*	1,646,634	0	0	(1,646,634)	0	(1,646,634)
	<u>3,448,665</u>	<u>0</u>	<u>1,372,445</u>	<u>(2,076,220)</u>	<u>0</u>	<u>(2,076,220)</u>
Total governmental activities	41,045,846	4,340,763	4,989,886	(31,715,197)	0	(31,715,197)
Business-Type activities:						
Support services:						
Administration services	32,839	0	0	0	(32,839)	(32,839)
Operation and maintenance of plant services	9,677	0	0	0	(9,677)	(9,677)
	<u>42,516</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(42,516)</u>	<u>(42,516)</u>
Non-instructional programs:						
Food service operations	1,584,170	1,053,185	536,500	0	5,515	5,515
Total business-type activities	1,626,686	1,053,185	536,500	0	(37,001)	(37,001)
Total	<u>\$ 42,672,532</u>	<u>5,393,948</u>	<u>5,526,386</u>	<u>(31,715,197)</u>	<u>(37,001)</u>	<u>(31,752,198)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 13,594,640	0	13,594,640
Capital outlay				1,884,174	0	1,884,174
Local option sales and service tax				3,822,827	0	3,822,827
Unrestricted state grants				15,508,136	0	15,508,136
Unrestricted investment earnings				682,877	11,321	694,198
Other general revenues				336,202	0	336,202
Total general revenues				<u>35,828,856</u>	<u>11,321</u>	<u>35,840,177</u>
Changes in net assets				4,113,659	(25,680)	4,087,979
Net assets beginning of year				40,120,232	343,415	40,463,647
Net assets end of year				<u>\$ 44,233,891</u>	<u>317,735</u>	<u>44,551,626</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
Assets:					
Cash and pooled investments	\$ 8,624,144	7,088,993	2,844	2,714,751	18,430,732
Receivables:					
Property tax					
Delinquent	166,604	0	0	33,643	200,247
Succeeding year	14,175,269	0	0	2,508,412	16,683,681
Interfund	20,000	0	0	49,987	69,987
Accounts	59,004	0	0	1,267	60,271
Due from other governments	1,551,282	567,806	0	64	2,119,152
Total assets	\$ 24,596,303	7,656,799	2,844	5,308,124	37,564,070
Liabilities and fund balances:					
Liabilities:					
Interfund payable	\$ 0	49,987	0	0	49,987
Accounts payable	710,532	33,331	0	91,623	835,486
Salaries and benefits payable	3,232,316	0	0	0	3,232,316
Deferred revenue:					
Succeeding year property tax	14,175,269	0	0	2,508,412	16,683,681
Other	52,484	0	0	0	52,484
Total liabilities	18,170,601	83,318	0	2,600,035	20,853,954
Fund balances:					
Reserved for:					
Debt service	0	0	2,844	0	2,844
Beginning teacher mentoring	25,610	0	0	0	25,610
Salary improvement program	11,689	0	0	0	11,689
Market factor	7,353	0	0	0	7,353
Professional development	61,407	0	0	0	61,407
At risk	157,493	0	0	0	157,493
Special education preschool	375	0	0	0	375
Community partnership	500	0	0	0	500
Market factor incentives	22,570	0	0	0	22,570
Unreserved:					
Designated:					
Special purposes by the board	500,000	0	0	0	500,000
Cash flow	2,000,000	0	0	0	2,000,000
Undesignated	3,638,705	7,573,481	0	2,708,089	13,920,275
Total fund balances	6,425,702	7,573,481	2,844	2,708,089	16,710,116
Total liabilities and fund balances	\$ 24,596,303	7,656,799	2,844	5,308,124	37,564,070

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 17)	\$ 16,710,116
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in in the governmental funds.	35,381,970
Blending of the Internal Service Fund to be reflected on an entity-wide basis.	3,230,938
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(81,702)
Long-term liabilities, including bonds payable, BANS payable, early retirement payable and compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(11,007,431)</u>
Net assets of governmental activites (page 15)	<u>\$ 44,233,891</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Debt Service	Nonmajor Special Revenue Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 12,962,343	3,822,827	0	2,516,471	19,301,641
Tuition	2,946,370	0	0	0	2,946,370
Other	1,136,583	278,696	0	1,202,988	2,618,267
Intermediate sources	307,489	0	0	0	307,489
State sources	18,877,239	0	0	1,503	18,878,742
Federal sources	1,080,726	0	0	0	1,080,726
Total revenues	37,310,750	4,101,523	0	3,720,962	45,133,235
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	16,751,596	0	0	155,632	16,907,228
Special instruction	4,901,873	0	0	0	4,901,873
Other instruction	2,708,823	0	0	871,035	3,579,858
	24,362,292	0	0	1,026,667	25,388,959
Support services:					
Student services	1,459,959	0	0	8,781	1,468,740
Instructional staff services	602,922	0	0	5,477	608,399
Administration services	5,399,528	0	0	123,376	5,522,904
Operation and maintenance of plant services	4,402,730	745	0	261,484	4,664,959
Transportation services	688,158	0	0	29,291	717,449
	12,553,297	745	0	428,409	12,982,451
Non-instructional programs:					
Food service operations	0	0	0	10,887	10,887
Other expenditures:					
Facilities acquisitions	0	2,328,689	0	1,907,274	4,235,963
Long-term debt:					
Principal	0	0	785,000	0	785,000
Interest and fiscal charges	0	0	575,259	0	575,259
AEA flowthrough	1,372,445	0	0	0	1,372,445
	1,372,445	2,328,689	1,360,259	1,907,274	6,968,667
Total expenditures	38,288,034	2,329,434	1,360,259	3,373,237	45,350,964
Excess(deficiency) of revenues over(under) expenditures	(977,284)	1,772,089	(1,360,259)	347,725	(217,729)
Other financing sources(uses):					
Transfers in	0	0	1,358,559	0	1,358,559
Transfers out	0	(1,358,559)	0	0	(1,358,559)
Proceeds from the disposal of property	26,270	0	0	0	26,270
Total other financing sources	26,270	(1,358,559)	1,358,559	0	26,270
Net change in fund balances	(951,014)	413,530	(1,700)	347,725	(191,459)
Fund balances beginning of year	7,376,716	7,159,951	4,544	2,360,364	16,901,575
Fund balances end of year	\$ 6,425,702	7,573,481	2,844	2,708,089	16,710,116

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 19) \$ (191,459)

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 4,942,911	
Depreciation expense	<u>(1,944,247)</u>	2,998,664

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	785,000
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Net change in the Internal Service Fund charged back against expenditures made for self-funded insurance at an entity-wide basis.	320,364
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	145,673
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	\$ 76,717	
Compensated absences	<u>(21,300)</u>	55,417

Changes in net assets of governmental activities (page 16)	<u>\$ 4,113,659</u>
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SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	Business-Type Activities: Governmental Enterprise Activities: Fund Internal School Service Nutrition Fund	
ASSETS		
Current assets:		
Cash and pooled investments	\$ 212,650	3,675,409
Accounts receivable	191	60,820
Inventories	22,901	0
Total current assets	235,742	3,736,229
Non-current assets:		
Capital assets:		
Machinery and equipment, net of accumulated depreciation	135,765	0
Total non-current assets	135,765	0
TOTAL ASSETS	371,507	3,736,229
LIABILITIES		
Current liabilities:		
Interfund payable	20,000	0
Accounts payable	0	4,025
Salaries and benefits payable	3,993	0
Incurred but not reported claims	0	501,266
Unearned revenue	29,779	0
TOTAL LIABILITIES	53,772	505,291
NET ASSETS		
Invested in capital assets	135,765	0
Unrestricted	181,970	3,230,938
TOTAL NET ASSETS	\$ 317,735	3,230,938

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 1,053,185	4,331,596
TOTAL OPERATING REVENUES	1,053,185	4,331,596
OPERATING EXPENSES:		
Support services:		
Administration services:		
Salaries	26,990	0
Benefits	3,580	0
Services	2,269	82,114
	32,839	82,114
Operation and maintenance of plant services:		
Services	9,677	0
	9,677	0
Total support services	42,516	82,114
Non-instructional programs:		
Food service operations:		
Salaries	477,493	0
Benefits	124,504	0
Services	69,785	0
Supplies	886,224	0
Depreciation	26,164	0
	1,584,170	0
Other enterprise operations:		
Benefits	0	4,048,086
	0	4,048,086
Total non-instructional programs	1,584,170	4,048,086
TOTAL OPERATING EXPENSES	1,626,686	4,130,200
OPERATING INCOME(LOSS)	(573,501)	201,396
NON-OPERATING REVENUES:		
State sources	17,729	0
Federal sources	518,771	0
Interest income	11,321	118,968
TOTAL NON-OPERATING REVENUES	547,821	118,968
Changes in net assets	(25,680)	320,364
Net assets beginning of year	343,415	2,910,574
Net assets end of year	\$ 317,735	3,230,938

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 1,053,775	0
Cash received from miscellaneous operating activities	8,588	4,293,204
Cash payments to employees for services	(634,563)	0
Cash payments to suppliers for goods or services	(921,714)	(3,842,730)
Net cash provided by(used in) operating activities	(493,914)	450,474
Cash flows from non-capital financing activities:		
State grants received	17,729	0
Federal grants received	461,380	0
Interfund loan repaid to the General Fund	(19,183)	0
Net cash provided by non-capital financing activities	459,926	0
Cash flows from capital activities:		
Acquisition of assets	(8,992)	0
Net cash used in capital activities	(8,992)	0
Cash flows from investing activities:		
Interest on investment	11,321	118,968
Net cash provided by investing activities	11,321	118,968
Net increase(decrease) in cash and cash equivalents	(31,659)	569,442
Cash and cash equivalents at beginning of year	244,309	3,105,967
Cash and cash equivalents at end of year	\$ 212,650	3,675,409
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (573,501)	201,396
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	57,391	0
Depreciation	26,164	0
Increase in inventories	(11,150)	0
(Increase)Decrease in accounts receivable	9,780	(38,392)
Increase in incurred but not reported claims	0	286,445
Increase in accounts payable	0	1,025
Decrease in salaries and benefits payable	(1,996)	0
Decrease in unearned revenues	(602)	0
Net cash provided by(used in) operating activities	\$ (493,914)	450,474
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and investments	\$ 212,650	3,675,409

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$57,391.

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2008

	<u>Agency</u>
ASSETS	
Cash and pooled investments	<u>\$ 18,781</u>
LIABILITIES	
Accounts payable	\$ 1,126
Due to other groups	17,655
	<u>\$ 18,781</u>

SEE NOTES TO FINANCIAL STATEMENTS.

BETTENDORF COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

Bettendorf Community School District is a political subdivision of the State of Iowa and provides elementary and secondary education to the citizens within the District. The District encompasses an area within the County of Scott, including the City of Bettendorf. Within the District are eight schools, including six elementary schools for kindergarten to grade five, one middle school for grades six, seven and eight and one high school for grades nine to twelve. Oversight responsibility for the District's operations is vested in a seven-member Board of Education which is elected by the public on a non-partisan basis. Management of the District is appointed by and is accountable to the Board of Education.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Bettendorf Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Bettendorf Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Scott County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues,

are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District's proprietary funds are the Enterprise, School Nutrition Fund and the Internal Service Fund. The School

Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's self-funded health insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust and IPASeducation which are valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the

government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Assets	Amount
Land	\$ 5,000
Buildings	5,000
Land improvements	5,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	5,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, expenditures in the support services area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 834,441</u>

At June 30, 2007, the District had investments in the IPASeducation as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 5,650,000</u>

Interest rate risk. The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service. The investments in the IPASeducation are registered and not subject to rating.

(3) **Interfund Receivable and Payable**

The detail of interfund receivable and payable balances for the year ended June 30, 2008 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Physical Plant and Equipment Levy	Capital Projects	\$ 49,987
General	Enterprise, School Nutrition	<u>20,000</u>
Total		<u>\$ 69,987</u>

The Capital Projects Fund is repaying the Debt Service Fund for the debt sinking reserve requirements that began during the school year. The balance will be repaid by June 30, 2009.

The Enterprise, School Nutrition Fund is repaying the General Fund for salaries and benefits paid during the 2007-08 school year. The balance will be repaid by June 30, 2009.

(4) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	<u>\$ 1,358,559</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,017,415	0	0	1,017,415
Construction in progress	7,197,872	2,199,468	7,197,872	2,199,468
Total capital assets not being depreciated	<u>8,215,287</u>	<u>2,199,468</u>	<u>7,197,872</u>	<u>3,216,883</u>
Capital assets being depreciated:				
Buildings	42,917,460	9,335,601	42,052	52,211,009
Land improvements	184,544	0	0	184,544
Machinery and equipment	5,037,034	605,714	146,593	5,496,155
Total capital assets being depreciated	<u>48,139,038</u>	<u>9,941,315</u>	<u>188,645</u>	<u>57,891,708</u>
Less accumulated depreciation for:				
Buildings	19,687,943	1,642,037	42,052	21,287,928
Land improvements	123,368	4,597	0	127,965
Machinery and equipment	4,159,708	297,613	146,593	4,310,728
Total accumulated depreciation	<u>23,971,019</u>	<u>1,944,247</u>	<u>188,645</u>	<u>25,726,621</u>
Total capital assets being depreciated, net	<u>24,168,019</u>	<u>7,997,068</u>	<u>0</u>	<u>32,165,087</u>
Governmental activities capital assets, net	<u>\$ 32,383,306</u>	<u>10,196,536</u>	<u>7,197,872</u>	<u>35,381,970</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 627,405	8,992	0	636,397
Less accumulated depreciation	474,468	26,164	0	500,632
Business-type activities capital assets, net	<u>\$ 152,937</u>	<u>(17,172)</u>	<u>0</u>	<u>135,765</u>

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 159,206
Support services:	
Operation and maintenance	25,790
Transportation	112,617
	<u>297,613</u>
Unallocated depreciation	<u>1,646,634</u>
Total governmental activities depreciation expense	<u>\$ 1,944,247</u>
Business-type activities:	
Food services	<u>\$ 26,164</u>

(6) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 4,165,000	0	785,000	3,380,000	815,000
Revenue BANS	7,000,000	0	0	7,000,000	0
Early Retirement	583,655	0	76,717	506,938	95,557
Compensated Absences	99,193	120,493	99,193	120,493	120,493
Total	<u>\$ 11,847,848</u>	<u>120,493</u>	<u>960,910</u>	<u>11,007,431</u>	<u>1,031,050</u>

Bonds Payable

Details of the District's June 30, 2008 general obligation bonded indebtedness is as follows:

Year Ending June 30,	Interest Rates	Bond Issue of August 1, 2005		
		Principal	Interest	Total
2009	3.40%	\$ 815,000	114,920	929,920
2010	3.40	840,000	87,210	927,210
2011	3.40	860,000	58,650	918,650
2012	3.40	865,000	29,410	894,410
Total		<u>\$ 3,380,000</u>	<u>290,190</u>	<u>3,670,190</u>

Revenue BANS Payable

Revenue bond anticipation notes (BANS) were issued in anticipation of future revenues from sales tax. Revenue BANS were issued for capital facility additions and will be repaid using Local Option Sales and Services Tax collected in the Capital Projects Fund. Details of the District's June 30, 2008 revenue bond anticipation notes bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of October 2, 2006			
	Interest Rates	Principal	Interest	Total
2009	4.12%	\$ 0	288,500	288,500
2010	4.12	7,000,000	144,250	7,144,250
Total		\$ 7,000,000	432,750	7,432,750

The District has pledged future local option sales and services tax revenues to repay \$7,000,000 Revenue BANS issued in October 2006. The bonds were issued for the purpose of financing capital facility construction. The Revenue BANS are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa and are payable through 2023. The Revenue BANS are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitations of the District. The total principal and interest remaining to be paid on the notes is \$7,432,750. For the current year, principal of \$0 and interest of \$431,949 was paid on the Revenue BANS and total local option sales and services tax revenues were \$3,822,827.

Early Retirement

The District offered a voluntary early retirement plan to its employees who retired June 30, 2005, or June 30, 2006, or June 30, 2007. Eligible employees had to have been at least age fifty-five and have completed fifteen years of continuous service to the District. Employees completed an application which was required to be approved by the Board of Education. The benefits were \$2,400 per year paid into a Health Reimbursement Arrangement (HRA) until age 65 or for 10 years, whichever was less, and \$10 per day for unused sick leave paid into an HRA. A liability has been recorded in the Statement of Net Assets for government-wide activities for these early retirement benefits. Early retirement benefits paid during the year ended June 30, 2008, totaled \$76,717.

(7) Bond Defeasement

On August 1, 2005, the District issued \$5,720,000 in general obligation bonds to advance refund \$2,725,000 and \$2,860,000 of outstanding general obligation bonds dated May 1, 1997 and January 1, 1998, respectively. The proceeds of the refunding issues have been placed in an irrevocable escrow account and have been invested in U.S. Government obligations which have been certified sufficient to pay all principal and interest on the refunded bonds. The advance refunding bonds have been added to the appropriate financial statement and schedules. The District remains contingently liable in the remote possibility

the account is insufficient to pay the refunding bonds. At June 30, 2008 \$0 of such bonds is outstanding. Defeasement of principal and interest for the year was \$3,425,000 and \$0.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual covered payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$1,364,059, \$1,215,772 and \$1,203,973 respectively, equal to the required contributions for each year.

(9) Risk Management

The District has a self-funded health insurance plan. The District purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$50,000 in insured claims for any one covered individual. Settle claims have not exceeded the commercial coverage in any of the past three years.

Payments are made to the plan based on actuarial estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. That balance was a \$3,230,938 at June 30, 2008. The incurred but not recorded and unpaid claims liability of \$501,266 reported in the plan at June 30, 2008 based on the requirements of GASB Statement Number 10, is set up as a liability on the statement of net assets.

In addition, the District is exposed to various risks to loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$1,372,445 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Budget Overexpenditure

Per the Code of Iowa, expenditures may not legally exceed budgeted appropriations at the functional area level. During the year ended June 30, 2008, expenditures in the support services area exceeded the amount budgeted.

(12) Construction Commitments

The District entered into various contracts totaling \$3,880,257 for additions and renovations to the middle school. At June 30, 2008, \$2,199,468 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND ENTERPRISE FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 24,866,278	1,064,506	25,930,784	24,405,073	24,405,073	1,525,711
Intermediate sources	307,489	0	307,489	100,000	100,000	207,489
State sources	18,878,742	17,729	18,896,471	18,568,708	18,568,708	327,763
Federal sources	1,080,726	518,771	1,599,497	1,840,000	1,840,000	(240,503)
Total revenues	45,133,235	1,601,006	46,734,241	44,913,781	44,913,781	1,820,460
Expenditures:						
Instruction	25,388,959	0	25,388,959	25,690,000	25,690,000	301,041
Support services	12,982,451	42,516	13,024,967	12,108,550	12,333,893	(691,074)
Non-instructional programs	10,887	1,584,170	1,595,057	1,419,200	1,625,022	29,965
Other expenditures	6,969,667	0	6,969,667	4,975,916	9,363,995	2,394,328
Total expenditures	45,351,964	1,626,686	46,978,650	44,193,666	49,012,910	2,034,260
Deficiency of revenues under expenditures	(218,729)	(25,680)	(244,409)	720,115	(4,099,129)	3,854,720
Other financing sources, net	26,270	0	26,270	650,000	650,000	(623,730)
Deficiency of revenues and other financing sources under expenditures	(192,459)	(25,680)	(218,139)	1,370,115	(3,449,129)	3,230,990
Balance beginning of year	16,901,575	343,415	17,244,990	12,972,243	12,972,243	4,272,747
Balance end of year	\$ 16,709,116	317,735	17,026,851	14,342,358	9,523,114	7,503,737

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$4,819,244.

During the year ended June 30, 2008, expenditures in the support services area exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

BETTENDORF COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets				
Cash and pooled investments	\$ 1,237,359	440,350	1,037,042	2,714,751
Receivables:				
Property tax				
Current year delinquent	8,127	0	25,516	33,643
Succeeding year	461,000	0	2,047,412	2,508,412
Interfund	0	0	49,987	49,987
Accounts	304	963	0	1,267
Due from other governments	17	0	47	64
Total assets	\$ 1,706,807	441,313	3,160,004	5,308,124
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 1,573	26,576	63,474	91,623
Deferred revenue:				
Succeeding year property tax	461,000	0	2,047,412	2,508,412
Total liabilities	462,573	26,576	2,110,886	2,600,035
Fund balances:				
Unreserved fund balances	1,244,234	414,737	1,049,118	2,708,089
Total liabilities and fund balances	\$ 1,706,807	441,313	3,160,004	5,308,124

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2008

	Nonmajor Special Revenue Funds			
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total
REVENUES:				
Local sources:				
Local tax	\$ 632,297	0	1,884,174	2,516,471
Other	68,829	927,807	206,352	1,202,988
State sources	407	0	1,096	1,503
TOTAL REVENUES	701,533	927,807	2,091,622	3,720,962
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	155,632	0	0	155,632
Other instruction	2,400	868,635	0	871,035
	158,032	868,635	0	1,026,667
Support services:				
Student services	8,781	0	0	8,781
Instructional staff services	5,477	0	0	5,477
Administration services	123,376	0	0	123,376
Operation and maintenance of plant services	202,072	0	59,412	261,484
Transportation services	19,291	10,000	0	29,291
	358,997	10,000	59,412	428,409
Non-instructional programs:				
Food service operations	10,887	0	0	10,887
Other expenditures:				
Facilities acquisitions	0	0	1,907,274	1,907,274
TOTAL EXPENDITURES	527,916	878,635	1,966,686	3,373,237
Net change in fund balances	173,617	49,172	124,936	347,725
Fund balance beginning of year	1,070,617	365,565	924,182	2,360,364
Fund balance end of year	\$ 1,244,234	414,737	1,049,118	2,708,089

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Vocal Music 1	\$ (2,659)	7,767	2,817	2,291
Vocal Music 2	(470)	8,935	4,857	3,608
Instrumental Music	11,065	117,317	119,162	9,220
Orchestra	803	217	474	546
BMS Cheerleading	497	755	489	763
Health Club	349	82	216	215
Interest	3,938	(3,938)	0	0
Yearbk/Photo Club	0	8,457	8,477	(20)
Reading Club	84	0	0	84
Library Club	3,253	3,357	1,330	5,280
Foreign Lang Club	587	3	0	590
Spec Ed Activities	38	0	14	24
Computer Club	1	0	0	1
Living Skills Club	827	14	299	542
School Paper	136	9,417	7,619	1,934
Functional Skills	201	2,566	1,488	1,279
Sail/Tag Fundraiser	1,693	9	0	1,702
Art Club	211	1	37	175
Ceramics Club	60	1	0	61
N.A. Fundraiser	766	205	0	971
N.A. Bookstore	3,062	1,021	0	4,083
N.A. Shooting Stars	282	365	363	284
Hoover Fundraiser	1,120	6	61	1,065
Hoover Bookstore	7,163	1,224	1,680	6,707
Hoover Pop Fund	4,042	996	1,047	3,991
Jefferson Fundraiser	14	0	0	14
Jefferson Bookstore	494	601	403	692
TJ Student Council	0	521	0	521
P.N. Bookstore	2,754	15	0	2,769
P.N. Pop Fund	(62)	2,653	2,013	578
M.T. Fundraiser	122	1	0	123
M.T. Bookstore	7,110	1,456	497	8,069
M.T. Bookstore - BD	485	3	0	488
G.W. Fundraiser	716	1,789	515	1,990
G.W. Bookstore	2,194	566	0	2,760
G.W. Pop Fund	1,485	543	158	1,870
G.W. Memorial	0	2,004	1,998	6
N.A. Intersession	21	2,156	1,395	782
For Student Needs	0	1,004	271	733
N.A. Student	195	181	0	376
6-House I	60	8,422	7,957	525
6-House II	626	2,212	1,930	908
6-House III	495	1,140	1,364	271

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
7-House I	25	3,261	3,008	278
7-House II	621	2,775	1,860	1,536
7-House III	285	3,865	3,630	520
8-House I	(59)	13,859	11,546	2,254
8-House II	865	4,033	3,750	1,148
8-House III	(1,278)	4,302	3,024	0
School Fundraising	17,812	17,739	22,581	12,970
Student Needs	1,239	1,346	332	2,253
BWCA	1,046	15,124	15,865	305
Outdoor Education	3,118	25,842	25,691	3,269
IAMLE Conference	(7)	0	(7)	0
Karla's Girls	(35)	35	0	0
MS Parent Link	(119)	6,150	2,066	3,965
Drama	12,638	9,255	4,271	17,622
Debate	313	11,425	10,843	895
Mock Trial	82	0	0	82
Vocal Music	6,878	3,892	8,603	2,167
Musical	8,681	15,915	7,085	17,511
Show Choir	0	8,428	9,932	(1,504)
Co-Ed Athletics	176,349	180,541	176,373	180,517
Sports Uniforms	400	2	0	402
Boys Basketball	1,702	12,989	14,682	9
Football	(3,740)	117,768	120,619	(6,591)
Boys Soccer	2,008	5,468	7,476	0
Baseball	2,555	16,723	19,822	(544)
Boys Track	1,758	2,206	3,785	179
Boys Tennis	125	300	425	0
Boys Golf	0	339	339	0
Boys Swimming	318	3,444	3,762	0
Wrestling	264	10,850	11,337	(223)
Girls Basketball	0	8,611	8,611	0
Volleyball	89	8,619	8,763	(55)
Girls Soccer	0	3,366	3,366	0
Softball	(99)	5,156	4,935	122
Girls Track	791	2,470	3,061	200
Girls Cross Country	0	300	300	0
Girls Tennis	(186)	0	(330)	144
Girls Golf	651	7	38	620
Girls Swimming	0	1,524	1,524	0
Golf Outing	0	10,470	1,559	8,911
MS Nurse Vending	116	261	40	337
Interest	2	0	2	0
Close Up	161	5	(242)	408

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Amicus	2,318	223	812	1,729
Activity Tickets	3,997	304	83	4,218
Step Team	9	1,479	1,362	126
Science Club	474	379	501	352
Scholastic Bowl	0	504	(67)	571
Yearbk-Beacon	5,846	51,139	42,230	14,755
Student Council	14,524	34,395	37,452	11,467
SADD	842	177	174	845
Cheerleaders	1,115	12,105	12,321	899
Growl Newspaper	16,201	9,290	6,162	19,329
SAVE	1,418	221	419	1,220
HIV Peer Educ	1,220	547	482	1,285
Spanish Club	3,810	66	(318)	4,194
Nat Honor Soc	66	3	129	(60)
German Club	2,769	27,602	26,330	4,041
French Club	1,413	4,561	5,567	407
TTAAA	30	1	0	31
Prof Business	2,508	12,607	13,685	1,430
BHS England Trip	1,965	4,044	0	6,009
BHS SIT	1,082	1,004	0	2,086
Social Comm Club	0	522	36	486
Goldusters	3,251	13,805	12,881	4,175
Art Club	516	10	12	514
Key Club	114	1	58	57
Club Vending	4,014	7,592	6,996	4,610
Pr Club Vending	2,400	7,961	6,209	4,152
Pr Student Needs	92	1	6	87
MS Vending	1,167	1,625	863	1,929
Class of 2008	1,134	9,813	10,379	568
Class of 2009	1,220	1,763	717	2,266
Class of 2010	923	609	(66)	1,598
Class of 2011	0	745	(38)	783
Total	\$ 365,565	927,807	878,635	414,737

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES -
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
ASSETS				
Cash and pooled investments	\$ 45,473	2,323	29,015	18,781
LIABILITIES				
Accounts payable	\$ 3,242	1,126	3,242	1,126
Due to other groups	42,231	1,197	25,773	17,655
	<u>\$ 45,473</u>	<u>2,323</u>	<u>29,015</u>	<u>18,781</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES
FOR THE LAST FIVE YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 19,301,641	18,755,868	18,125,916	18,007,604
Tuition	2,946,370	2,666,548	2,588,528	2,399,022
Other	2,618,267	2,382,216	1,919,448	2,192,358
Intermediate sources	307,489	188,430	126,709	119,308
State sources	18,878,742	17,251,533	16,636,019	15,642,365
Federal sources	1,080,726	1,263,628	1,013,070	1,276,650
Total	\$ 45,133,235	42,508,223	40,409,690	39,637,307
				37,938,541
Expenditures:				
Instruction:				
Regular instruction	\$ 16,907,228	15,581,657	15,072,881	14,724,134
Special instruction	4,901,873	4,487,457	4,572,032	4,734,324
Other instruction	3,579,858	3,328,064	3,891,306	3,839,779
Support services:				
Student services	1,468,740	1,385,866	512,669	675,195
Instructional staff services	608,399	571,052	629,082	583,015
Administration services	5,522,904	4,940,107	5,026,556	4,704,480
Operation and maintenance of plant services	4,664,959	3,732,309	3,668,068	3,341,979
Transportation services	717,449	832,408	637,396	676,443
Central support services	0	0	0	0
Non-instructional programs	10,887	9,886	1,319	5,212
Other expenditures:				
Facilities acquisitions	4,236,963	7,902,878	1,779,691	4,755,728
Long-term debt:				
Principal	785,000	765,000	790,000	655,000
Interest and other charges	575,259	192,520	297,223	309,704
AEA flow-through	1,372,445	1,274,667	1,219,600	1,148,422
Total	\$ 45,351,964	45,003,871	38,097,823	40,153,415
				37,676,891

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

BETTENDORF COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DIRECT:			
DEPARTMENT OF EDUCATION:			
FUND FOR THE IMPROVEMENT OF EDUCATION (CAROL M. WHITE PHYSICAL EDUCATION PROGRAM)	84.215	FY 08	\$ 41,396
INDIRECT:			
DEPARTMENT OF AGRICULTURE:			
IOWA DEPARTMENT OF EDUCATION:			
FOOD DONATION (non-cash)	10.550	FY 08	57,391
SCHOOL NUTRITION CLUSTER PROGRAMS:			
SCHOOL BREAKFAST PROGRAM	10.553	FY 08	79,935
NATIONAL SCHOOL LUNCH PROGRAM	10.555	FY 08	380,666
SPECIAL MILK PROGRAM FOR CHILDREN	10.556	FY 08	779
			461,380
DEPARTMENT OF EDUCATION:			
IOWA DEPARTMENT OF EDUCATION:			
TITLE I GRANTS TO LOCAL EDUCA- TIONAL AGENCIES	84.010	0821-G	300,387
SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES - STATE GRANTS	84.186	FY 08	15,053
STATE GRANTS FOR INNOVATIVE PROGRAMS	84.298	FY 08	5,451
TITLE III - ENGLISH LANGUAGE ACQUISITION STATE GRANTS	84.365	FY 08	4,339
TITLE IIA - FEDERAL TEACHER QUALITY PROGRAM	84.367	FY 08	116,920
GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	84.369	FY 08	30,226
DEPARTMENT OF DEFENSE:			
SCOTT COUNTY:			
FLOOD CONTROL PROJECTS	12.106	FY 08	15,908

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

GRANTOR/PROGRAM	CFDA NUMBER	GRANT NUMBER	PROGRAM EXPENDITURES
DEPARTMENT OF EDUCATION: MISSISSIPPI BEND AREA EDUCATION AGENCY: SPECIAL EDUCATION - GRANTS TO STATES (PART B)	84.027	FY 08	<u>213,597</u>
VOCATIONAL EDUCATION - BASIC GRANTS TO STATES	84.048	FY 08	<u>16,886</u>
DEPARTMENT OF HUMAN SERVICES: IOWA DEPARTMENT OF HUMAN SERVICES: JUVENILE ACCOUNTABILITY INCENTIVE BLOCK GRANT	16.523	FY 08	<u>87,502</u>
TOTAL			<u>\$ 1,366,436</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Bettendorf Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
Bettendorf Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Bettendorf Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 18, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bettendorf Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Bettendorf Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bettendorf Community School District's internal control over financial reporting.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Bettendorf Community School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bettendorf Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Bettendorf Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Bettendorf Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Bettendorf Community School District and other parties to whom Bettendorf Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Bettendorf Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

December 18, 2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Bettendorf Community School District:

Compliance

We have audited the compliance of Bettendorf Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Bettendorf Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Bettendorf Community School District's management. Our responsibility is to express an opinion on Bettendorf Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bettendorf Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bettendorf Community School District's compliance with those requirements.

In our opinion, Bettendorf Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Bettendorf Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Bettendorf Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bettendorf Community School District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be a material weaknesses, as defined above.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Bettendorf Community School District and other parties to whom Bettendorf Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be use by anyone other than these specified parties.


NOLTE, CORNMAN & JOHNSON, P.C.

December 18, 2008

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial report were noted.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were noted.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs are as follows:
 - Individual Program:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.556 - Special Milk Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Bettendorf Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over financial report were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

No material weaknesses in internal control over the major programs were noted.

BETTENDORF COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-08 Certified Budget - District expenditures for the year ended June 30, 2008 exceeded the amount budgeted in the support services area.

Recommendation - The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - We will amend the budget if necessary in the future.

Conclusion - Response accepted.

IV-B-08 Questionable Disbursements - We noted disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.

We noted during our audit that the District purchased 27 shirts from the middle school activity fund for the newspaper staff. There appears to be no money collected from newspaper staff for the shirts purchased.

Recommendation - Although the District's board policy 705.4 dealing with expenditures for public purpose identifies expenditures allowable, it does not specifically identify a club or group purchase of clothing for individuals.

As the District implements the policy of documenting public purpose served, it is important that the purchase order and/or invoice document the benefit derived by the public for that specific purchase. If the board policy does not specifically identify the type of purchase, the documentation may provide clarification as to the purpose of the expense.

The District should review board policy 705.4 and require that documentation be noted on the purchase order for questionable items. In addition, these types of expenditures should be reviewed in detail by the Board of Directors for approval.

Response - The shirts were for student volunteers for the newspaper and this meets the criteria outlined in policy 705.4.

Conclusion - Response acknowledged. The District should review board policy 705.4 and require that documentation be noted on the purchase order for questionable items. In addition, these types of expenditures should be reviewed in detail by the Board of Directors for approval.

IV-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-08 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Lisa Reid, Associate Principal Spouse owns Rodney Reid Construction	Sidewalk Repairs	\$1,000
Pat Bereskin, Work Study Coordinator Owns Mrs. B's Art	Consulting/Supplies	\$1,015

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the spouse of the employee do not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated July 2, 1992, the above transactions with the teacher do not appear to represent a conflict of interest.

- IV-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- IV-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of preschool students which were counted on Line 10 was overstated by ten students weighted at .6 for a total variance of 6.0.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to make these changes.

Response - We will contact the Iowa Department of Education and the Department of Management. The AEA counted 10 preschool students who did not meet the birthdate enrollment criteria.

Conclusion - Response accepted.

- IV-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.
- IV-J-08 Officials Contracts - We noted during our audit that the Board President was not signing athletic officials contracts for the District. According to Chapter 291.1 of the Code of Iowa, the Board President shall sign all contracts entered into by the District.

Recommendation - The District should have the Board President sign all contracts the District enters in compliance with Chapter 291.1 of the Code of Iowa.

Response - We have the Board President sign most contracts. We do not feel he should need to sign the athletic officials contracts. We are going to check with the State Athletic Unions to see if these can be memorandums of understanding.

Conclusion - Response acknowledged. The District should review Chapter 291.1 of the Code of Iowa and have the Board President sign all contracts.

IV-K-08 Physical Plant and Equipment Levy Expenditures - According to Chapter 298.3 of the Code of Iowa the Physical Plant and Equipment Levy Fund monies may be used for a purchase of a single unit of equipment exceeding \$500 per unit. We noted during our audit that the District had purchases in the Physical Plant and Equipment Levy Fund for equipment less than the \$500 threshold. In addition, the District paid for routine maintenance expenditures out of the Physical Plant and Equipment Levy Fund.

Recommendation - The District should review Chapter 298.3 of the Code of Iowa with regard to allowable expenditures. The District should also review Chapter 9 - Statutory Authority for Funds of the Uniform Administrative Procedures Manual. The District should refrain from purchasing equipment less than the \$500 threshold from the Physical Plant and Equipment Levy Fund. In the future, the routine maintenance should be paid from the General Fund.

Response - This has been corrected and the code reviewed with operations.

Conclusion - Response accepted.

IV-L-08 Student Activity Fund - During our audit we questioned the propriety of certain accounts or certain receipts and expenditures collected/paid from the Student Activity Fund. Inappropriate expenditures would include any expenditure more appropriate to other funds. The student activity fund shall not be used as a clearing account for any other fund. Moneys in this fund shall be used to support only the cocurricular program defined in department of education administrative rules (298A.8). A more specific examples of these instances are as follows:

We noted during our audit the band/vocal accounts were paying for copier maintenance. Copier maintenance would be more appropriately handled in the General Fund.

We noted during our audit that there were several elementary accounts that appear to be administrative in nature and book fair accounts with transactions that should be recorded in the General Fund.

Recommendation - The purpose of the Student Activity Fund is to account for financial transactions related to the cocurricular and extracurricular activities offered as a part of the education program for the students established under Iowa Administrative Code 281-12.6(1). The District should review the propriety of receipts and expenditures that are recorded in the Student Activity Fund. Copier maintenance should be recorded in the General Fund. Book fairs and the other administrative elementary accounts should be closed and accounted for in the General Fund.

Each fund is mutually exclusive and independent of any other fund. If a revenue or expenditure is specifically authorized for one fund, it is not appropriate to any other fund, unless the Code also specifically authorizes it to that other fund. The District should review each student activity account to determine appropriateness. If the account is more appropriate to another fund, the balance in the account should be transferred to that fund and accounted for accordingly.

Response - We will review the accounts noted in this comment and move them to the General Fund if they are more appropriate to that fund.

Conclusion - Response accepted.

IV-M-08 Check Retention - Chapter 291.6 of the Code of Iowa requires that the Board Secretary maintain records pertaining to the business of the District. We noted that the District did not receive all paid checks back with the bank statement. This resulted in a lack of available records. Our testing indicated 78 of 182 or 42.8% checks tested were not returned by the bank for record retention.

Recommendation - The District should discuss with the bank the situation and attempt to come to a solution which will allow the District to receive the paid checks for retention. We realize that the bank processes may not be influenced by the District; however, due to the high percentage of checks not returned, the District should discuss available options.

Response - We are checking with the bank to get all of our checks back.

Conclusion - Response accepted.